

South Carolina Retirement SYSTEMS UPDATE

Fall 2004

25th Anniversary Edition

Retired Member Edition

Volume 25, Number 1

From the Director

Peggy G. Boykin, CPA



Share Your Opinion

Last year, my column focused on the South Carolina Retirement Systems' support of pre-tax treatment of health care costs for retirees. We continue to support efforts by the United States Congress to modify the federal Internal Revenue Code so that retirees may pay health insurance premiums and other medical expenses on a pre-tax basis.

We can only continue our support of these efforts and hope that Congress will provide you with this relief in the near future. In the meantime, however, your state-sponsored retiree health insurance premiums will increase January 1, 2005. And, if medical care



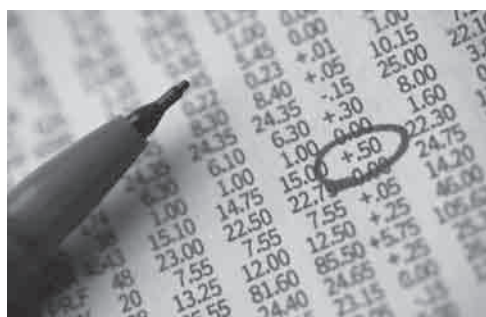
costs continue to rise at their current pace, you may face similar increases in your health insurance premiums in the coming years. In the event that future increases are possible, we would like to find out now how you think such increases should be handled. Enclosed with this issue of *Systems Update* is a

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Investment Update

As of June 30, 2004, the South Carolina Retirement Systems' net assets totaled \$23.8 billion, up from \$22.4 billion as of June 30, 2003. This growth was spurred by the healthy performance of the Retirement Systems' investment portfolio in fiscal year 2004 (July 1, 2003, through June 30, 2004).

The Retirement Systems' portfolio had an investment return of 8.76 percent for fiscal year 2004. The Retirement Systems' actuary assumes a 7.25 percent return as a part of the annual actuarial valuations it



conducts of the four defined benefit plans administered by the Retirement Systems, so the 1.51 percent gain will have a positive impact.

The Retirement Systems' portfolio is carefully and conservatively constructed to ensure the financial integrity of its assets while optimizing the potential for a sound return on investment. Likewise, the portfolio is structured to reflect the Retirement Systems' strategy of investing for the long term. As a result, the portfolio is able to withstand periods of volatility in the financial markets.

Sixty percent of the Retirement Systems' assets are invested in fixed income securities, which provide

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Protecting Your Identity

The Retirement Systems understands the importance of protecting your identity. In fact, the Retirement Systems began crossing out the first five digits of members' Social Security numbers on all outgoing correspondence effective July 1, 2004, to help protect your identity.

Visitors to our office will also notice that they are asked for only the last four digits of their Social Security number. We will soon implement this change in our Customer Services Call Center as well.

We hope these steps will help keep your identity safe while allowing us to continue to provide the high level of service to which you are entitled and have become accustomed.



Mandatory Direct Deposit

The Retirement Systems has implemented mandatory direct deposit for retired members (or their surviving beneficiaries). If you receive a monthly check, you will receive a letter notifying you of this change. This measure is being taken to further ensure the security of your annuity and, possibly, your identity.

If you do not have a bank account into which your annuity may be directly deposited, you may send us a written request for an exemption.

About this Issue

This issue of *Systems Update* marks the 25th year of the newsletter's publication. Each year, we strive to make *Systems Update* more meaningful to you. Please let us know if we are, or are not, reaching that goal.

Share Your Opinion

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Retired Member Health Insurance Survey/Reply Card. Please take a moment to read through the survey instructions and circle the response that best fits your opinion. Then place the post-age-paid card in the mail no later than November 30, 2004.

The Retirement Systems will compile your responses and make this data available to interested parties. Please take advantage of this opportunity to let your voice be heard. Thank you.



HIPAA Issues

We all know the Health Insurance Portability and Accountability Act (HIPAA) as the law that resulted in our medical care providers placing lengthy privacy documents before us for review and signature.

Passed by the United States Congress in 1996, HIPAA became more prevalent in our lives when the Privacy Rule portion of the law took effect April 14, 2003. This part of the law created controls for the appropriate use and disclosure of health information. As a result, any organization with access to your medical records cannot release that information, except as outlined in the HIPAA Privacy Rule, to anyone other than you without written authorization.

The Retirement Systems only handles medical records relative to disability retirement applicants and/or disability retirees and obtains the necessary releases from the applicant/retiree.

The Employee Insurance Program (EIP), however, manages your health, dental, life, and long term care insurance, and must comply with HIPAA in everything it does. If, at any time, you want or need someone else to have authorization to discuss your insurance or claims information, contact EIP at (888) 260-9430 or (803) 734-0678, or download an *Authorized Representative Form* from EIP's Web site at www.eip.sc.gov.

Investment Update

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a certain measure of asset protection. The remaining 40 percent is invested in equities, or stocks, which do not have similar asset protection features but generally yield much higher returns. The Office of the State Treasurer manages the Retirement Systems' fixed income portfolio and the State Retirement Systems Investment Panel oversees the equity portfolio.

Because the Retirement Systems invests in both fixed income and equity investments, it is better able to take advantage of the cyclical changes in both of these financial markets and more capable of avoiding significant losses as a result of market instability. The Retirement Systems further diversifies the portfolio through thoughtful asset allocation within both the fixed income and equity portions of the portfolio, all of which support investing for the long term.

Help Us Find These Members

It is time to ask for your help in locating a few members for whom we do not have current addresses. Some of these members are eligible to apply for a deferred retirement annuity, so we really want to locate them. If you have information, please contact Customer Services at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov. Thank you!

Edgar G. Thomas, III - SC State University
Paul D. Rompf - SC Dept. Parks, Rec. & Tourism
Arlene J. Dick - Greenville Co. School Dist.
Judith E. Ernsting - SC Dept. of Corrections
Evelyn N. Mahoney - Lee County School Dist.
Susan Y. Stevens - University of South Carolina
Patricia B. Bryson - SC Dept. Hlth. & Hum. Svcs.
Coralee D. Quick - SC Retirement Systems
Hilliard Davis - Marlboro County Schools
Thelma Brown - MUSC
Artist Morton - Greenwood School Dist. 50
Henry C. Johns - Town of Olar
Otto Williams - Greenwood School Dist. 50
Mildred M. Munn - Cheraw Elementary School
Mary L. Clark - Hughes Jr. High, Greenville
Francis R. Prince, Jr. - MUSC
Nancy L. Klotz - Greenwood School Dist. 50
Betty E. Dailey - Leaphart Elem. (Lex.-Rich. 5)
Frances M. Gressette - Florence Public Schools
Benjamin E. Russell - SC Ports Authority
Mary L. Rutherford - Newberry County Schools
Nathan D. Greiff - Greenville County Schools
Barbara B. Rushton - Orangeburg City Schools 5
Susan J. Griffith - Colleton County Edu. Dept.
Donald R. Roland - Chesterfield Co. Edu. Dept.
Margaret Gregg - MUSC
John Rutledge, Jr. - Newberry County Schools
Anne B. Griffith - Richland Co. Sch. Dist. 2

Retirement Systems Earns GFOA Awards

The South Carolina Retirement Systems earned its 17th consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) of the United States and Canada. The Retirement Systems received the award for its *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2003.

The South Carolina Retirement Systems' first *Popular Annual Financial Report (PAFR)* also received GFOA's Certificate of Achievement for Excellence in Financial Reporting.

The award-winning reports may be viewed and/or downloaded from our Internet Web site at www.retirement.sc.gov.

At its May 4, 2004, meeting, the State Budget and Control Board approved a 1.6 percent cost-of-living adjustment (COLA) effective July 1, 2004, for qualifying retirees and beneficiaries.

State Budget and Control Board

Mark Sanford, Chairman
Governor

Grady L. Patterson, Jr.
State Treasurer

Richard Eckstrom
Comptroller General

Hugh K. Leatherman, Sr.
Chairman, Senate Finance Committee

Robert W. Harrell, Jr.
Chairman, House Ways and Means Committee

Frank W. Fusco
Executive Director

South Carolina Retirement Systems

Peggy G. Boykin, CPA
Director

Systems Update is a periodic publication of the South Carolina Retirement Systems, PO Box 11960, Columbia, SC 29211-1960.

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Retired Member Health Insurance Survey/Reply Card

The State Budget and Control Board recently approved an increase in state health insurance premiums effective January 1, 2005. The ever-increasing cost of health care may necessitate future increases as well. We are trying to gauge your opinions concerning potential future increases. The following options are based on a hypothetical projected increase of \$40 per month. Please review the following options and circle the one that best suits your beliefs as to how to handle possible future increases. **Please place this postage-paid reply card in the mail no later than November 30, 2004.** Thank you!

Option 1. Increase copayments and deductibles, and adjust selected benefits in a manner that would offset all of the \$40 potential increase in my monthly premium. With this option, I understand that there would be a significant decrease in benefits, but my monthly premium would not increase.

Option 2. Increase copayments and deductibles, and adjust some benefits in a manner that would offset about half of the anticipated increase. With this option, I understand that benefits would be decreased, though not to the extent as in Option 1, and my monthly premium would increase by only \$20.

Option 3. Keep the benefits the same and increase my monthly contribution by the entire amount of the anticipated increase (\$40).

Circle Option 1, Option 2, or Option 3 and place this card in the mail no later than November 30, 2004.

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